

Service Date: April 23, 1998

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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IN THE MATTER OF WEST YELLOWSTONE	)	
GAS COMPANY, A Division of Great Falls	)	UTILITY DIVISION
Gas Company, Application for Approval of	)	DOCKET NO. 95.4.15
Initial Rates for Liquefied Natural Gas Service	)	ORDER NO. 5848b
to Customers in West Yellowstone, Montana.	)	

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FINAL ORDER

BACKGROUND

1. On April 10, 1995, West Yellowstone Gas Company (WYG), a division of Great Falls Gas Company (GFG), Great Falls, Montana, filed an Application before the Public Service Commission (PSC) for approval of initial rates for liquefied natural gas (LNG) service to customers in West Yellowstone, Montana.

2. WYG filed for approval of proposed tariffs and schedules with residential/small commercial rates (RS/SCS) and large commercial rates (LCS), as well as a proposed negotiated contract service (NCS) for customers capable of substituting alternative fuels for natural gas.

3. On May 9, 1995, the PSC issued Interim Order No. 5848 approving the tariffs on an interim basis contingent upon a pending waiver before the United States Department of Transportation (DOT), Research and Special Projects Administration, Office of Pipeline Safety. This waiver was to allow WYG to operate the LNG system

from a portable pipeline set on a temporary basis. On May 26, 1995, the DOT granted the said waiver.

4. On June 6, 1995, the PSC issued Interim Order No. 5848a approving the tariffs on an interim basis. As part of that Interim Order, the PSC ordered WYG to file cost information according to PSC requirements which shows a historical test year and for final approval of the rates.

5. On April 23, 1996, WYG filed the cost information with the PSC as ordered in Interim Order No. 5848a. Based on its review of this information, the PSC issues this Final Order in this Docket.

#### FINDINGS OF FACT AND DISCUSSION

6. WYG's proposed tariff for RS/SCS includes a minimum customer service charge of \$4.00 per month, with a base rate of \$6.46 per Mcf (thousand cubic feet) for all Mcfs. The tariff for LCS includes a minimum service charge of \$5.00 per month, with a base rate of \$5.65 per Mcf for all Mcfs.

7. Under the NCS, customers will be charged the same service charge as they would under the otherwise applicable tariff. WYG may negotiate an alternative rate per Mcf to preserve load on its system. However, the minimal charge per Mcf will be equivalent to the marginal cost of gas.

8. Under all three tariffs, if a customer terminates service, WYG reserves the right to charge monthly fixed charges after the point of termination if that customer's application to renew service is at the same service location.

9. Applicant's witnesses prefiling testimony include Sheila Rice, Vice President and Division Manager, Great Falls Division, and Lynn F. Hardin, Assistant Vice President for Gas Supply, Rates and Special Projects for Energy West Inc., Great Falls.

10. In support of initial rates for the new LNG system in West Yellowstone, Ms. Rice testified on the rationale for the project and the need for a flexible rate to respond to competition. Ms. Rice testified that GFG and its parent, Energy West, are continually looking for growth areas which have enough population to support utility systems. She stated further that Energy West examined the potential of running an underground propane system, but met with resistance from the city government. They then looked at the potential of LNG.

11. In looking at the potential LNG service for West Yellowstone, Energy West visited the east coast to observe the operation of LNG plants and to evaluate the capital investment which consisted of the mains, service lines and meters. An analysis of the competitive fuels was also conducted.

12. Additionally, because of competitive influences, WYG is requesting a flexible rate -- a band 25 percent up or down from the filed tariffs.

13. Mr. Hardin sponsored Exhibits LH-1 and 2. LH-1 presents income statements for the first 4 projected years of the West Yellowstone project and LH-2 presents the calculation of the sales rate. Mr. Hardin testified that the sales rates are the drivers for the projected income statements rather than an approved return on rate base. Mr. Hardin also stated that the projections in LH-1 reflect 100 percent equity

investment, and that the project is not expected to reach regulated return levels until after fiscal year 1998.

14. The PSC finds that WYG's proposed rates for the LNG system have a reasonable basis as projected. WYG made a financial showing on April 22, 1996, demonstrating that the rates are just and reasonable.

15. The PSC determines that this filing should be approved on a final basis. The Commission approves the Application for the flexible band of 25 percent up or down from the rates proposed as filed. When WYG requires rates within the band, it shall file documentation of the rates charged as supplements to the tariffs. WYG shall notify its customers that its rates are regulated by the PSC and that there is the range, possibly 25 percent up or down, that WYG may charge within the rate schedule.

#### CONCLUSIONS OF LAW

1. The Public Service Commission is responsible for the supervision, regulation, and control of public utilities pursuant to the provisions of Title 69. Section 69-3-102, MCA.

2. West Yellowstone Gas Company is a public utility subject to the PSC's jurisdiction. Section 69-3-101, MCA.

3. West Yellowstone Gas Company is required to file with the PSC tariffs showing all rates, tolls and charges and all rules affecting rates to be charged. Section 69-3-301, MCA.

ORDER

1. West Yellowstone Gas Company shall file tariffs pursuant to the directives in this Order and shall supplement the tariff filings when a charge varies from the filed rates within the range of flexibility provided.

DONE IN OPEN SESSION at Helena, Montana this 14th day of April, 1998 by a 5-0 vote.

BY THE ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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DAVE FISHER, Chairman

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NANCY McCAFFREE, Vice Chair

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BOB ANDERSON, Commissioner

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DANNY OBERG, Commissioner

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BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson  
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the PSC reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.